

Message Text

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53

ACTION EA-14

INFO OCT-01 ADP-00 PM-09 NSC-10 SS-14 RSC-01 CIAE-00

DODE-00 INR-10 NSAE-00 PA-03 USIA-12 PRS-01 AID-20

IGA-02 EB-11 COME-00 AGR-20 TRSE-00 OMB-01 RSR-01

/130 W

----- 063638

R 300945 Z MAR 73

FM AMEMBASSY PHNOM PENH

TO SECSTATE WASHDC 690

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E. O. 11652: N/ A

TAGS: EFIN, CB

SUBJ: MODIFICATIONS IN GKR ECONOMIC, FINANCIAL AND FISCAL PROGRAMS
AND POLICIES

FOR STATE/ AID

REF: (A) PHNOM PENH 2910 (B) PHNOM PENH 2177

ON MARCH 27, 1973, THE GKR ISSUED A STATEMENT CONCERNING ACTIONS
TAKEN TO CARRY OUT ITS DECISIONS OF MARCH 9, 1973 DESCRIBED IN
REF (B). THE FOLLOWING IS A SUMMARY OF THE STATEMENT:

1. THE POL PRICES ANNOUNCED ON MARCH 9 REMAIN UNCHANGED AND
THE OLD RICE PRICES AND WATER AND ELECTRICITY RATES ARE KEPT IN
EFFECT. HOWEVER, AS INDICATED IN REF (A), AN INTER- MINISTERIAL
COMMITTEE HAS BEEN CREATED TO STUDY THESE PRICES AS WELL AS THE
RELATED QUESTION OF GOVERNMENT SALARIES. A SPECIAL COMMITTEE WITH
EVERS AS TECHNICAL ADVISOR, IS REVIEWING THE PRICING, SOURCING
AND DISTRIBUTION OF PHARMACEUTICALS. WE KNOW THE GOVERNMENT WOULD
LIKE
TO BREAK THE CLOSE RELATIONSHIP BETWEEN PHARMACIES/ IMPORTERS AND
FRENCH
SUPPLIERS. THERE IS REASON TO BELIEVE THESE
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ARRANGEMENTS ARE USEFUL FOR PURPOSES OF CAPITAL FLIGHT. THERE IS A PROPOSAL PENDING THAT WOULD REQUIRE COMPETITION IN THE BUYING OF IMPORTED PHARMACEUTICALS IN AN ATTEMPT TO GET BETTER PRICES, CRIMP THE FRENCH MONOPOLY AND DEAL WITH THE PROBLEM OF CAPITAL FLIGHT. IF THE ESF WERE ADEQUATELY STAFFED, IT MIGHT BE POSSIBLE TO GET AT THE PHARMACEUTICAL PRICING PROBLEM BUT THIS IS NOT LIKELY.

2. CONVOYS TO PHNOM PENH FROM VARIOUS POINTS (OTHER THEAN BATTAMBANG AND KOMPONG SOM) HAVE BEEN ORGANIZED BY THE MINISTRY OF INTERIOR TO PRECLUDE SQUEEZE PAYMENTS ALONG THE WAY.

3. A COMMITTEE IS LOOKING INTO THE QUESTION OF A SOLUTION TO THE PROBLEM OF LUXURY GOODS IMPORTS, TAKING INTO ACCOUNT INTERNATIONAL PRACTICE AND THE POLICY TOWARD WHICH THE GOVERNMENT IS TENDING. THE PRIME MINISTER IS PRESENTLY LEANING TOWARD WHAT MIGHT BE CALLED THE " IMF SOLUTION" BUT WOULD PROBABLY VEER IN THE DIRECTION OF BAN ON IMPORTATIONS IF, AS DISCUSSED WITH AID/ W, THE IMF MANAGEMENT LET IT BE KNOWN THAT THIS WOULD NOT BE UNACCEPTABLE.

4. THE EXECUTIVE CABINET STAFF OF THE PRESIDENT HAS BEEN REDUCED FROM 103 TO 10.

5. THE GOVERNMENT IS IN THE PROCESS OF RECOVERING THE PROPERTY OF THE SANGKUM REASTR NIYUM (THE FORMER POLITICAL PART OF SIHANOUK) AS WELL AS THAT OF TRAITORS, PARTICULARLY AUTOMOBILES AND HOUSES.

6. A THOROUGH EXAMINATION OF THE PROBLEM OF EFFECTIVES IS UNDER WAY BY THE PRESIDENT, THE MINISTRY OF NATIONAL DEFENSE AND FANK.

7. MEASURES HAVE BEEN TAKEN TO RECOVER SOME 44 MILLION RIELS IN VEHICLE USE TAXES WHICH ARE OWING AND RECOVERY CONTINUES AT THE RATE OF SIX MILLION PER MONTH. OF 53 AUTOMOBILES WHICH ENTERED THE COUNTRY WITHOUT PAYING DUTY, THE OWNERS OF 28 VEHICLES HAVE ALREADY PRESENTED THEMSELVES IN ORDER TO PAY DUTY.

8. PRICE CONTROL COMMITTEES HAVE BEEN ESTABLISHED FOR THE LIMITED OFFICIAL USE

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CITY OF PHNOM PENH.

9. COOPERATIVES FOR MINISTRIES AND OTHER ORGANIZATIONS
TO PURCHASE GOODS HAVE BEEN CREATED TO ELIMINATE MIDDLEMEN
AS MUCH AS POSSIBLE.

10. LAWS CONCERNING PUBLIC EXPENDITURES ARE BEING STUDIED
TO RELATE THEM TO PRESENT CONDITIONS.

11. PARLIAMENT HAS CHOSEN STATE CONTROLLERS TO RESOLVE
PROBLEMS OF CONTRABAND, ILLEGAL PRICE INCREASES, ETC.

12. YIM KHEN IS BEING INTERROGATED BY THE PROPER AUTHORITIES.

13. A COMMITTEE HAS BEEN FORMED TO STUDY THE PROBLEM OF
GOVERNMENT SALARIES. THIS IS THE SAME COMMITTEE MENTIONED IN
PARA 1 ABOVE.

DECONTROL DECMEBER 31, 1973.

SWANK

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*** Current Handling Restrictions *** n/a

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